

MOC-FLOYD VALLEY  
COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2013

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2013  
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**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**

**BOARD MEMBERS AND OFFICIALS**

**June 30, 2013**

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**Board of Education (After September 15, 2012 Election)**

<u>Name</u>		<u>Term Expires</u>
Gerald Van Roekel	President	2013
Shane Jager	Vice President	2015
Dan Duistermars	Board Member	2013
Bruce Schult	Board Member	2015
Amy Kleinhesselink	Board Member	2015

**Officials**

Gary Richardson	Superintendent	2013
Leann Evenhuis	Board Secretary	2013
Scott Kooiman	Board Treasurer	2013
Stephen F. Avery	Attorney	2013



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
MOC-Floyd Valley Community School District  
Orange City, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the MOC-Floyd Valley Community School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the MOC-Floyd Valley Community School District as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Emphasis of Matter**

As described in Note 12 to the financial statements, in 2013, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress for the retiree health plan on pages 5 through 14 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2013 on our consideration of the MOC-Floyd Valley Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the MOC-Floyd Valley Community School District's internal control over financial reporting and compliance.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
November 4, 2013

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## MOC-FLOYD VALLEY MANAGEMENT DISCUSSION AND ANALYSIS

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MOC-Floyd Valley School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

General fund revenues decreased by approximately 3% from \$13,886,345 in fiscal 2012 to \$13,474,401 in fiscal year 2013, while General fund expenditures increased from \$12,816,023 in fiscal 2012 to \$13,225,877 in fiscal 2013, an approximate 3% increase. The district's general fund balance increased from \$2,416,501 in fiscal 2012 to \$2,654,207 in fiscal 2013, a 10% increase.

Although the current economic climate is improving, the district remains vigilant about controlling expenditures and seeking additional funding streams. Early retirement was reinstated for one year only for teaching staff and administrators, resulting in the retirement of four teachers and one administrator. They were replaced by personnel with lower salary costs, which will have a positive impact on the 2013-14 budget.

The District recently completed the 3rd year of a sharing agreement with the West Sioux Community School District for business management services. In the two prior years, superintendent services were also shared. Expenditures in those areas declined during both the 2010-11 and 2011-12 fiscal years, due to payment for those services from the West Sioux Community School District. During 2012-13, the district received approximately \$193,300 in sharing incentives from the state.

The District enrollment remains stable and state allowable growth was set at two percent for the 2012-13 fiscal year.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of MOC-Floyd Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report MOC-Floyd Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which MOC-Floyd Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds, Capital Project Funds, and Debt Service Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

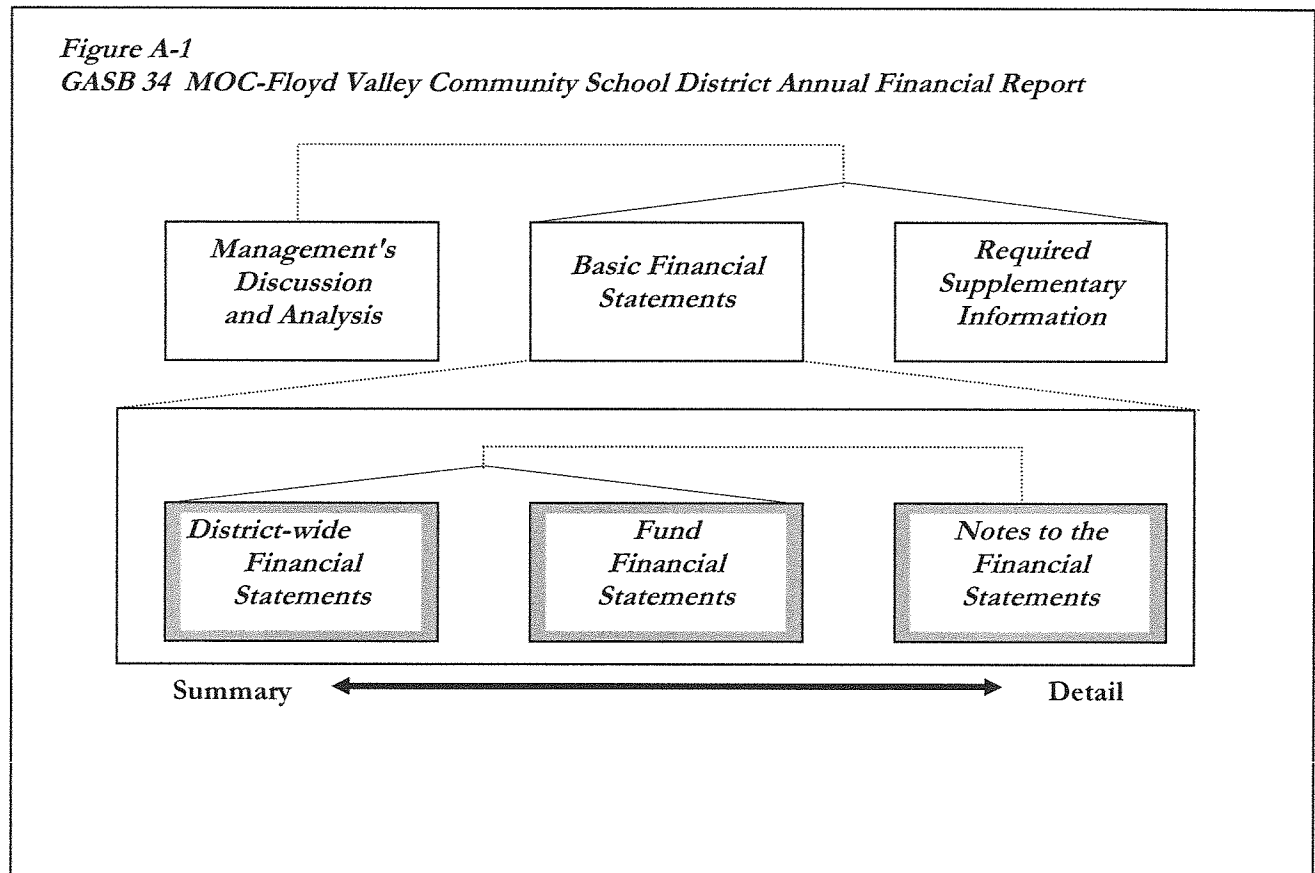




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activity, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

- 3) *Fiduciary Funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District's fiduciary funds include an agency fund for the District's flex cafeteria plan for employees and an agency fund for the District's Band Parent organization.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes this activity from the government-wide statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net position and a statement of changes in fiduciary net position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2012 and 2013

**Figure A-3**  
**Condensed Statement of Net Position**

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2012	2013	2012	2013	2012	2013	
Current and other assets	\$ 10,640,949	\$ 11,586,474	\$ 249,598	\$ 193,079	\$ 10,890,547	\$ 11,779,553	8.2%
Capital Assets	10,458,383	11,133,801	117,045	161,553	10,575,428	11,295,354	6.8%
<b>Total Assets</b>	<b>21,099,332</b>	<b>22,720,275</b>	<b>366,643</b>	<b>354,632</b>	<b>21,465,975</b>	<b>23,074,907</b>	<b>7.5%</b>
Current Liabilities	2,435,125	2,621,189	19,717	17,528	2,454,842	2,638,717	7.5%
Long-Term Liabilities	835,724	1,399,624	6,545	6,290	842,269	1,405,914	66.9%
<b>Total Liabilities</b>	<b>3,270,849</b>	<b>4,020,813</b>	<b>26,262</b>	<b>23,818</b>	<b>3,297,111</b>	<b>4,044,631</b>	<b>22.7%</b>
<b>Deferred Inflows of Resources</b>	<b>5,144,050</b>	<b>5,022,665</b>	<b>-</b>	<b>-</b>	<b>5,144,050</b>	<b>5,022,665</b>	<b>-2.4%</b>
<b>Net Position</b>							
Net Investment in Capital Assets	8,978,991	9,117,203	117,045	161,553	9,096,036	9,278,756	2.0%
Restricted	734,466	1,263,743	-	-	734,466	1,263,743	72.1%
Unrestricted	2,970,976	3,295,851	223,336	169,261	3,194,312	3,465,112	8.5%
<b>Total Net Position</b>	<b>\$ 12,684,433</b>	<b>\$ 13,676,797</b>	<b>\$ 340,381</b>	<b>\$ 330,814</b>	<b>\$ 13,024,814</b>	<b>\$ 14,007,611</b>	<b>7.5%</b>

The District's total net position increased by 7.5% or approximately \$982,800 over the prior year. The largest portion of the District's net position is the net investment in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

For fiscal 2013, long term liabilities showed an increase of approximately 66.9%. Land and an existing building were purchased and remodeled to house the central administration office. The 2006 Series of SILO Revenue bonds were paid off and new revenue bonds were issued to finance this project. The 2012 Series SILO Revenue Bonds will be paid off on July 1, 2015. Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased by \$529,277 or 72.1% from the prior year. The increase was primarily the result of the restricted balance in the Debt Service Fund. SILO Revenue Bonds were paid off and new revenue bonds were issued to facilitate payment of these bonds as well as purchase and renovation of the central administration office. These new bonds will be paid off on July 1, 2015 and had a sinking fund required balance as of June 30, 2013.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased \$270,800 or 8.5%. This increase is largely due to an increase in General Fund fund balance. This increase is largely due to the state sharing incentives and being deliberate in controlling expenditures.

Figure A-4 shows the change in net position for the years ending June 30, 2012 and 2013.

**Figure A-4**

**Changes in Net Position from Operations**

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2012	2013	2012	2013	2012	2013	
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,031,791	\$ 803,373	\$ 446,981	\$ 456,391	\$ 1,478,772	\$ 1,259,764	-14.8%
Operating Grants and Contributions	2,288,579	1,976,051	275,902	276,421	2,564,481	2,252,472	-12.2%
Capital Grants and Contributions	-	42,372	-	-	-	42,372	100.0%
General Revenues:							
Property Tax	4,865,361	5,147,099	-	-	4,865,361	5,147,099	5.8%
Instructional Support Surtax	626,228	740,627	-	-	626,228	740,627	18.3%
Statewide Sales, Services, and Use Tax	1,168,046	1,167,384	-	-	1,168,046	1,167,384	-0.1%
Unrestricted State Grants	5,931,922	5,645,223	-	-	5,931,922	5,645,223	-4.8%
Unrestricted Investment Earnings	62,045	94,963	5,416	4,704	67,461	99,667	47.7%
Gain on Disp of Assets	3,600	-	-	-	3,600	-	-100.0%
Other	52,272	71,856	2,870	6,102	55,142	77,958	41.4%
Transfers	-	9,400	-	(9,400)	-	-	0.0%
<b>TOTAL REVENUES</b>	<b>16,029,844</b>	<b>15,698,348</b>	<b>731,169</b>	<b>734,218</b>	<b>16,761,013</b>	<b>16,432,566</b>	<b>-2.0%</b>
Program Expenses:							
Instruction	9,812,297	9,945,186	-	-	9,812,297	9,945,186	1.4%
Support Services	3,736,760	3,873,726	-	-	3,736,760	3,873,726	3.7%
Non-instructions Programs	35,160	54,062	676,965	743,785	712,125	797,847	12.0%
Other Expenses	888,531	830,027			888,531	830,027	-6.6%
<b>TOTAL EXPENSES</b>	<b>14,472,748</b>	<b>14,703,001</b>	<b>676,965</b>	<b>743,785</b>	<b>15,149,713</b>	<b>15,446,786</b>	<b>2.0%</b>
<b>Change in Net Position</b>	<b>\$ 1,557,096</b>	<b>\$ 995,347</b>	<b>\$ 54,204</b>	<b>\$ (9,567)</b>	<b>\$ 1,611,300</b>	<b>\$ 985,780</b>	<b>-38.8%</b>

Property tax, statewide sales, services and use tax, and unrestricted state grants account for 73% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

## Governmental Activities

Figure A-5 presents the cost of four major district activities: instruction, support services, non-instructional programs and other expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial impact placed on the taxpayers by each function.

**Figure A-5**  
**Net Cost of Governmental**  
**Activities**

	Total Cost of Services		%	Net Cost of Services		%
	2012	2013	Change	2012	2013	Change
Instruction	\$9,812,297	\$9,945,186	1.4%	\$7,234,011	\$7,944,485	9.8%
Support Services	3,736,760	3,873,726	3.7%	3,587,102	3,704,221	3.3%
Non-Instructional	35,160	54,062	53.8%	-	11,688	100.0%
Other	888,531	830,027	-6.6%	331,265	220,811	-33.3%
<b>TOTAL</b>	<b>\$14,472,748</b>	<b>\$14,703,001</b>	<b>1.6%</b>	<b>\$11,152,378</b>	<b>\$11,881,205</b>	<b>6.5%</b>

- The cost financed by users of the District's programs was \$803,373, a decrease of \$228,418 from the previous year.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,018,423, a decrease of \$270,156 from the prior year. This decrease was due primarily to the education jobs federal funding (\$270,463) received and spent in the prior year.
- The net cost of governmental activities was financed with \$7,055,110 in property and other taxes and \$5,645,223 in unrestricted state grants.

## Business Type Activities

Revenues of the District's business type activity were \$743,618 and expenses were \$753,185. The District's business type activity is the School Nutrition Fund. Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income. The district provides breakfast and noon meals to the local day care program and receives revenue from that entity for these services.

## INDIVIDUAL FUND ANALYSIS

As previously noted, MOC-Floyd Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,817,406, an increase over last year's ending fund balances of \$3,029,137. The balance reflects an increase of \$237,706 in the General Fund fund balance, and an increase of \$550,563 in the Other Governmental Funds fund balance. The increase in the Other Governmental Funds fund balance is due to the balance in the Debt Service Fund, obligated to pay the SILO Revenue Bonds payment on July 1, 2013.

## **Governmental Fund Highlights**

- The increase in the District's General Fund financial position is the result of the continuation of the sharing agreement with the West Sioux Community School District for shared superintendent and business management services. The sharing agreement cut expenditures in those areas for the 2010-11 and 2011-12 fiscal years and brought in approximately \$193,000 in funding for the 2013 fiscal year, due to state incentives for sharing.
- The district purchased the Family Dollar Store, located next to the high school building. Extensive remodeling of this building had been almost completed by the end of the fiscal year. This building will house the central administrative office and the other half of the building will be rented to Northwest Iowa Community College. It will be used as a career academy, attended by students from MOC-Floyd Valley Community School and Unity Christian High School. In order to pay for this building, the district sold \$2,007,000 in SILO Revenue Bonds. This allowed the district to pay off the remaining 2006 Series SILO Revenue Bonds and to finance the cost of the building purchase and remodeling. A debt service fund payment for \$689,307 was due on July 1, 2013. This final payment of the 2012 series SILO Revenue bonds is on July 1, 2015. The current central administration office has been sold to the Orange City Development Corporation, who will take position of the building on July 1.

## **Proprietary Fund Highlights**

- The School Nutrition Fund net assets decreased from \$340,381 at June 30, 2012 to \$330,814 at June 30, 2013, mostly due to increased food costs. Food costs increased due to increased fruit and vegetable servings as required by the Healthy, Hunger-Free Kids Act of 2010. Lunch prices increased by five cents per meal, as mandated by the National School Lunch Program, while breakfast prices remained the same. Sales of services to the Day Care increased as did the National School Lunch Program revenue.
- The District initiated a Split Funding program for its health insurance needs during the 2010-11 fiscal year. A \$2,000 deductible health insurance policy is purchased from Wellmark. The district then self funds the deductible down to the \$500 or \$1,000 deductible plans that are offered to district employees. Revenues decreased by \$5,556 from \$175,148 in 2011-12 to \$169,592 in 2012-13. Expenditures also decreased by \$23,294 or 22%, from \$107,821 in 2011-12 to \$84,527 in 2012-13. The decrease in expenditures is attributable to decreased claims. After the first year, a savings of \$93,924 was realized, \$161,251 after the second year and a total of \$251,011 after the third year. Some of this savings will be used to pay the increased health insurance premiums for 2012-13 and to pay for the Affordable Care Act fees from January 2014 through June 2014.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the accrual basis. During the year, expenditures did not exceed the certified amounts. Detail can be found in the supplementary information section of this report as required. The budget was amended for 2012-13 to accommodate the cost associated with the central administration office purchase and remodel project and the SILO Revenue Bond payment.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$22,424,443 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-6) More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation expense for governmental funds for the year was \$601,745 and \$18,903 for Food Service Operations.

Figure A-6  
Capital Assets

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2012	2013	2012	2013	2012	2013	
Land	\$ 337,624	\$ 337,624	\$ -	\$ -	\$ 337,624	\$ 337,624	0.0%
Constr in Progress	-	652,410	-	-	-	652,410	100.0%
Buildings	16,416,511	16,908,843	-	-	16,416,511	16,908,843	3.0%
Improvements other than buildings	758,867	745,574	-	-	758,867	745,574	-1.8%
Furniture and Equipment	3,416,204	3,532,137	186,324	247,855	3,602,528	3,779,992	4.9%
<b>Total Assets</b>	<b>\$ 20,929,206</b>	<b>\$ 22,176,588</b>	<b>\$ 186,324</b>	<b>\$ 247,855</b>	<b>\$ 21,115,530</b>	<b>\$ 22,424,443</b>	<b>6.2%</b>

### Long-Term Debt

At year end, the District had \$2,007,000 in SILO Revenue bonds outstanding, \$19,820 in compensated absences, \$9,598 in lease obligations and \$21,804 in net OPEB liability. This is an increase of \$690,992 from the prior year, largely due to the 2012 SILO Revenue Bonds. The district's early retirement policy for administrators and teachers was reinstated for one year only during the 2012-13 fiscal year. One administrator and four teachers will see \$159,218 in benefits from this policy reinstatement.

Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District enrollment for 2012-13 remained stable. However, the enrollment for the 2013-14 school year shows a significant increase.
- Allowable growth was set at 2 per cent for the 2013-14 fiscal year, and has been set at 4% for the 2014-15 fiscal year. In addition, the district will receive an equivalent to 2% allowable growth or \$161,200 in state aid for the 2013-14 school year, which will come in the form of miscellaneous income.

- An operational sharing arrangement began during the 2010-11 fiscal year with the sharing of services for the superintendent and business management. The district realized a decrease in expenditures during the 2010-11 and 2011-12 fiscal years because of the shared positions. In addition, due to state sharing incentives, state funding for operational sharing increased revenues for the 2011-12 budget by approximately \$242,000 for the 2011-12 budget year, \$193,000 for the 2012-13 budget year and \$67,000 for the 2013-14 fiscal year. The sharing agreement was terminated after the 2012-13 fiscal year.
- There continues to be some economic expansion in the community. Advanced Pierre, a manufacturing company closed its doors in 2012, but the plant was reopened in 2013 as a pet food processing company.
- The communities are in need of expanding the local workforce. The City of Orange City has several housing initiatives underway and plans are underway for the expansion of the Orange City Area Day Care Center.
- The City of Orange City has hired personnel to specifically focus on economic development and community growth.
- A new Hampton Inn is being built, located near the newly built Prairie Winds Event Center. The Casey's General Store is being relocated, near the new Hampton Inn, and will be enlarged.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Leann Evenhuis, District Secretary and Business Manager, MOC-Floyd Valley Community School District, 709 8<sup>th</sup> Street SE, Orange City Iowa 51041.



**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	Governmental Activities	Business Type Activity	Total
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 4,751,007	\$ 169,753	\$ 4,920,760
Receivables:			
Property Tax	47,068	-	47,068
Succeeding Year Property Tax	5,022,665	-	5,022,665
Income Surtax	647,060	-	647,060
Accounts	33,645	8,991	42,636
Due from Other Governments	392,022	-	392,022
Restricted Assets:			
Cash and Pooled Investments	689,307	-	689,307
Prepaid Expense	3,700	-	3,700
Inventories	-	14,335	14,335
Land	337,624	-	337,624
Construction in Progress	652,410	-	652,410
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	10,143,767	161,553	10,305,320
Total Assets	<u>22,720,275</u>	<u>354,632</u>	<u>23,074,907</u>
<b>LIABILITIES</b>			
Accounts Payable	488,964	3,270	492,234
Salaries and Benefits Payable	1,274,102	2,063	1,276,165
Accrued Interest Payable	40,307	-	40,307
Unearned Revenue	-	12,195	12,195
Noncurrent Liabilities:			
Due Within One Year:			
Lease Obligations Payable	9,598	-	9,598
Bonds Payable	649,000	-	649,000
Early Retirement Payable	159,218	-	159,218
Due in More Than One Year:			
Accrued Compensated Absences	19,820	6,290	26,110
Bonds Payable	1,358,000	-	1,358,000
Net OPEB Liability	21,804	-	21,804
Total Liabilities	<u>4,020,813</u>	<u>23,818</u>	<u>4,044,631</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue -			
Subsequent Year Property Taxes	5,022,665	-	5,022,665
Total Deferred Inflows of Resources	<u>5,022,665</u>	<u>-</u>	<u>5,022,665</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	9,117,203	161,553	9,278,756
Restricted for:			
Categorical Funding	140,851	-	140,851
Debt Service	649,000	-	649,000
Management Levy	205,651	-	205,651
Physical Plant and Equipment Levy	70,623	-	70,623
School Infrastructure	62,013	-	62,013
Other Special Revenue Purposes	135,605	-	135,605
Unrestricted	3,295,851	169,261	3,465,112
Total Net Position	<u>\$ 13,676,797</u>	<u>\$ 330,814</u>	<u>\$ 14,007,611</u>

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
<b>Governmental Activities:</b>				
Instruction:				
Regular Instruction	\$ 7,033,009	\$ 259,213	\$ 750,273	\$ -
Special Instruction	1,698,458	79,053	441,829	-
Other Instruction	1,213,719	396,219	74,114	-
Support Services:				
Student Services	400,657	-	32,729	-
Instructional Staff Services	564,403	-	14,662	-
Administration Services	1,212,370	18,637	-	-
Operation and Maintenance	1,107,415	7,877	-	-
Transportation Services	588,881	-	95,600	-
Non-instructional Programs	54,062	42,374	-	-
Other Expenditures:				
Facilities Acquisition and Construction Services	209,989	-	12,000	42,372
Long-term Debt Interest	65,194	-	-	-
AEA Flowthrough	554,844	-	554,844	-
Total governmental activities	<u>14,703,001</u>	<u>803,373</u>	<u>1,976,051</u>	<u>42,372</u>
<b>Business Type Activity:</b>				
Non-instructional Programs				
Food Service Operations	<u>743,785</u>	<u>456,391</u>	<u>276,421</u>	<u>-</u>
Total	<u>\$ 15,446,786</u>	<u>\$ 1,259,764</u>	<u>\$ 2,252,472</u>	<u>42,372</u>
<b>General Revenues:</b>				
Property Tax Levied For:				
General Purposes				
Capital Outlay				
Instructional Support Surtax				
Statewide Sales, Services, and Use Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Other				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Prior Period Adjustment				
Net position - beginning, as restated				
Net position - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activity	Total
\$ (6,023,523)		\$ (6,023,523)
(1,177,576)		(1,177,576)
(743,386)		(743,386)
(367,928)		(367,928)
(549,741)		(549,741)
(1,193,733)		(1,193,733)
(1,099,538)		(1,099,538)
(493,281)		(493,281)
(11,688)		(11,688)
(155,617)		(155,617)
(65,194)		(65,194)
-		-
<u>(11,881,205)</u>		<u>(11,881,205)</u>
	\$ (10,973)	(10,973)
<u>(11,881,205)</u>	<u>(10,973)</u>	<u>(11,892,178)</u>
4,985,633	-	4,985,633
161,466	-	161,466
740,627	-	740,627
1,167,384	-	1,167,384
5,645,223	-	5,645,223
94,963	4,704	99,667
71,856	6,102	77,958
9,400	(9,400)	-
<u>12,876,552</u>	<u>1,406</u>	<u>12,877,958</u>
995,347	(9,567)	985,780
12,684,433	340,381	13,024,814
(2,983)	-	(2,983)
<u>12,681,450</u>	<u>340,381</u>	<u>13,021,831</u>
<u>\$ 13,676,797</u>	<u>\$ 330,814</u>	<u>\$ 14,007,611</u>

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 3,955,756	\$ 537,700	\$ 4,493,456
Receivables:			
Property Tax	42,915	4,153	47,068
Succeeding Year Property Tax	4,603,520	419,145	5,022,665
Income Surtax	647,060	-	647,060
Accounts	21,457	12,188	33,645
Due from Other Governments	207,553	184,469	392,022
Restricted Assets:			
Cash and Pooled Investments	-	689,307	689,307
Prepaid Expense	-	3,700	3,700
Total Assets	<u>9,478,261</u>	<u>1,850,662</u>	<u>11,328,923</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts Payable	299,372	183,052	482,424
Salaries and Benefits Payable	1,274,102	-	1,274,102
Early Retirement Payable	-	85,266	85,266
Total Liabilities	<u>1,573,474</u>	<u>268,318</u>	<u>1,841,792</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue -			
Subsequent Year Property Taxes	4,603,520	419,145	5,022,665
Income Surtax	647,060	-	647,060
Total Deferred Inflows of Resources	<u>5,250,580</u>	<u>419,145</u>	<u>5,669,725</u>
<b>Fund Balances:</b>			
Restricted for:			
Categorical Funding	140,851	-	140,851
Debt Service	-	689,307	689,307
Management Levy	-	205,651	205,651
Physical Plant and Equipment Levy	-	70,623	70,623
School Infrastructure	-	62,013	62,013
Other Special Revenue Purposes	-	135,605	135,605
Unassigned	2,513,356	-	2,513,356
Total Fund Balances	<u>2,654,207</u>	<u>1,163,199</u>	<u>3,817,406</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,478,261</u>	<u>\$ 1,850,662</u>	<u>\$ 11,328,923</u>

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 16)	\$ 3,817,406
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	11,133,801
An internal service fund is used by management to fund and maintain the District's partially self-insured prescription drug plan provided to user departments and is included in the statement of net position.	251,011
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(40,307)
Unearned revenues from the balance sheet that provide current financial resources for governmental activities.	647,060
Accrued compensated absences not reported on the modified accrual basis.	(19,820)
Long-term liabilities, including bonds payable, lease obligations payable, early retirement payable, and net OPEB liability are not due and payable in the current period and therefore are not reported in the funds.	
Revenue Bonds	\$ (2,007,000)
Lease Obligations	(9,598)
Early Retirement Payable	(73,952)
Net OPEB Liability	(21,804)
	<u>(2,112,354)</u>
Total Net Position - Governmental Activities (page 13)	<u><u>\$ 13,676,797</u></u>

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUE:</b>			
Local Sources:			
Local Tax	\$ 5,339,072	\$ 1,633,928	\$ 6,973,000
Tuition	317,588	-	317,588
Other	208,466	451,442	659,908
State Sources	7,181,659	266	7,181,925
Federal Sources	427,616	-	427,616
Total Revenue	<u>13,474,401</u>	<u>2,085,636</u>	<u>15,560,037</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular Instruction	6,603,936	71,308	6,675,244
Special Instruction	1,710,672	-	1,710,672
Other Instruction	776,351	400,259	1,176,610
Support Services:			
Student Services	360,880	24,005	384,885
Instructional Staff Services	512,493	33,998	546,491
Administration Services	1,120,542	72,759	1,193,301
Operation and Maintenance	995,701	60,239	1,055,940
Transportation Services	548,110	42,333	590,443
Non-instructional Programs	42,348	12,033	54,381
Other Expenditures:			
Facilities Acquisition and Construction Services	-	1,335,187	1,335,187
Long-term Debt:			
Principal	-	232,040	232,040
Interest and Fiscal Charges	-	30,978	30,978
AEA Flowthrough	554,844	-	554,844
Total Expenditures	<u>13,225,877</u>	<u>2,315,139</u>	<u>15,541,016</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>248,524</u>	<u>(229,503)</u>	<u>19,021</u>
Other Financing Sources (Uses):			
Transfers In	-	2,184,921	2,184,921
Transfers Out	(10,818)	(2,174,103)	(2,184,921)
Issuance of Revenue Bonds	-	2,007,000	2,007,000
Bond Refunding Payments	-	(1,237,752)	(1,237,752)
Total Other Financing Sources (Uses)	<u>(10,818)</u>	<u>780,066</u>	<u>769,248</u>
Net Change in Fund Balances	237,706	550,563	788,269
Fund Balances - Beginning of Year	<u>2,416,501</u>	<u>612,636</u>	<u>3,029,137</u>
Fund Balances - End of Year	<u>\$ 2,654,207</u>	<u>\$ 1,163,199</u>	<u>\$ 3,817,406</u>

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 18)	\$	788,269
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$	1,230,012	
Transfer In of Capital Assets		9,400	
Assets Contributed		42,372	
Depreciation expense		<u>(601,745)</u>	680,039

Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net position on the statement of activities.		(4,621)
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Accrued interest expense that does not require current financial resources.		(34,218)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.		81,844
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Internal service funds are used by management to fund and maintain the District's health insurance provided to user departments. The net income of the internal service funds is reported with governmental activities.		89,760
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		(73,952)	
Net OPEB Liability		687	

Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was:		4,745
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position		(2,007,000)
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The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. The principal paid on long-term debt during the current year was as follows:

Bonds payable	1,461,279	
Lease obligations payable	<u>8,515</u>	<u>1,469,794</u>

Change in net position of governmental activities (page 15)	\$	<u><u>995,347</u></u>
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**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2013**

	Business Type Activity School Nutrition Fund	Governmental Activities Internal Service
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Pooled Investments	\$ 169,753	257,551
Inventories	14,335	-
Receivables:		
Accounts	8,991	-
Total Current Assets	<u>193,079</u>	<u>257,551</u>
<b>Noncurrent Assets:</b>		
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	161,553	-
Total Noncurrent Assets	<u>161,553</u>	<u>-</u>
Total Assets	<u>354,632</u>	<u>257,551</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	3,270	6,540
Salaries and Benefits Payable	2,063	-
Unearned Revenue	12,195	-
Total Current Liabilities	<u>17,528</u>	<u>6,540</u>
<b>Noncurrent Liabilities:</b>		
Accrued Compensated Absences	6,290	-
Total Noncurrent Liabilities	<u>6,290</u>	<u>-</u>
Total Liabilities	<u>23,818</u>	<u>6,540</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	161,553	-
Unrestricted	169,261	251,011
Total Net Position	<u>\$ 330,814</u>	<u>\$ 251,011</u>



**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Business Type Activity School Nutrition Fund</b>	<b>Governmental Activities Internal Service</b>
Operating Revenues:		
Charges for services	\$ 456,391	\$ 169,592
Miscellaneous	6,102	-
Total Operating Revenue	462,493	169,592
Operating Expenditures:		
Non-Instructional Programs:		
Food Service Operations:		
Salaries	248,414	-
Benefits	49,277	-
Purchased Services	15,173	-
Supplies	407,480	-
Other	4,538	-
Depreciation	18,903	-
Loss on Disposal of Capital Assets	9,400	-
Other Enterprise Operations:		
Benefits	-	67,360
Purchased Services	-	17,167
Total Operating Expenses	753,185	84,527
Operating Income (Loss)	(290,692)	85,065
Non-Operating Revenues :		
Interest Income	4,704	4,695
State Lunch Reimbursements	6,106	-
National School Lunch Program	234,043	-
Federal Food Commodities Received	36,272	-
Total Non-Operating Revenues	281,125	4,695
Change in net position	(9,567)	89,760
Net Position - beginning	340,381	161,251
Net Position - ending	\$ 330,814	\$ 251,011

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Business Type Activity School Nutrition Fund</b>	<b>Governmental Activities Internal Service</b>
<b>Cash flows from operating activities:</b>		
Cash received from sale of lunches and breakfasts	\$ 455,757	\$ -
Cash received from miscellaneous operating activities	6,102	169,592
Cash paid to employees for services	(299,762)	-
Cash paid to suppliers for goods or services	(381,050)	(85,542)
Total cash provided (used) by operating activities	<u>(218,953)</u>	<u>84,050</u>
<b>Cash flows from noncapital financing activities:</b>		
State grants received	6,106	-
Federal grants received	234,043	-
Total cash provided by noncapital financing activities	<u>240,149</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	<u>(72,811)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>		
Interest on investments	<u>4,704</u>	<u>4,695</u>
Net increase (decrease) in cash and cash equivalents	(46,911)	88,745
Cash and cash equivalents - beginning of year	<u>216,664</u>	<u>168,806</u>
Cash and cash equivalents - end of year	<u><u>169,753</u></u>	<u><u>257,551</u></u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>		
Operating income (loss)	(290,692)	85,065
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation expense	18,903	-
Commodities used	36,272	-
Loss on disposal of capital assets	9,400	-
(Increase) decrease in assets and increase (decrease) in liabilities:		
Accounts Receivable	1,413	-
Inventories	8,195	-
Accounts Payable	1,674	(1,015)
Salaries and Benefits Payable	(1,816)	-
Compensated Absences Payable	(255)	-
Unearned Revenue	<u>(2,047)</u>	<u>-</u>
Net cash provided (used) in operating activities	<u><u>\$ (218,953)</u></u>	<u><u>\$ 84,050</u></u>
<b>Non-cash investing, capital and financing activities:</b>		
Federal food commodities received	<u><u>\$ 36,272</u></u>	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AGENCY FUNDS  
JUNE 30, 2013**

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	<u>2013</u>
Assets:	
Cash and Temporary Cash Investments	\$ 28,301
Total Assets	<u>28,301</u>
Liabilities:	
Other Payables	<u>28,301</u>
Net Position	<u>\$ -</u>

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The MOC-Floyd Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Maurice, Orange City, Alton, Hospers, Newkirk and Granville, Iowa, and the predominate agricultural territory in Sioux and O'Brien Counties in Iowa. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, MOC-Floyd Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. MOC-Floyd Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Sioux County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service. The District's internal service fund is classified as a governmental-type activity.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

*Net Investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

Additionally, the District reports the following fund types:

Internal Service Fund – Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

The District's internal service fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

A description of the District's internal service fund is as follows:

Split-Funding Health Insurance – To account for the funding and maintenance of the District's partial self-funded health insurance provided to District employees.

Fiduciary Funds – Fiduciary Funds focus on net position and changes in net position. The District's fiduciary funds are as follows:

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Flex Agency Fund – The Flex account is the District's cafeteria plan. Employees of the District deposit monies into this fund, which are held by the District until they are disbursed back to the depositor.

Band Parents Agency Fund – This fund is used to account for assets held by the District as an agent for this private organization.

**C. Basis of Accounting/Measurement Focus**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less restricted classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$2,000 for governmental capital assets and \$500 for school nutrition capital assets.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Outflow/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. The governmental activities in the government-wide statements and the governmental funds report unavailable revenues from subsequent year property taxes. The governmental funds also report unavailable revenues from the income surtax. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available.

Compensated Absences – District employees can accumulate a limited amount of earned but unused sick pay for subsequent use or for partial payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on a flat dollar amount per day. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.



**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Restricted Net Position – In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

**NOTE 2 – CASH AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions; however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District had no investments as of June 30, 2013 meeting the definition of GASB Statement 40.

**NOTE 3 – INTERFUND TRANSFERS**

The detail of short-term interfund transfers for the year ended June 30, 2013 is as follows:

<b>Transfer To</b>	<b>Transfer From</b>	<b>Amount</b>
Debt Service	Capital Project – LOST	\$ 2,174,103
Debt Service	Special Revenue - Physical Plant and Equipment	10,818
		<u>\$ 2,184,921</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 337,624	\$ -	\$ -	\$ 337,624
Construction in Progress	-	652,410	-	652,410
Total capital assets not being depreciated	337,624	652,410	-	990,034
Capital assets being depreciated:				
Buildings	16,416,511	492,332	-	16,908,843
Improvements other than buildings	758,867	-	13,293	745,574
Furniture and equipment	3,416,204	137,042	21,109	3,532,137
Total capital assets being depreciated	20,591,582	629,374	34,402	21,186,554
Less: Accumulated Depreciation for:				
Buildings	7,832,739	355,442	8,672	8,179,509
Improvements other than buildings	631,001	21,939	-	652,940
Furniture and equipment	2,007,083	224,364	21,109	2,210,338
Total Accumulated Depreciation	10,470,823	601,745	29,781	11,042,787
Total capital assets being depreciated, net	10,120,759	27,629	4,621	10,143,767
Governmental activities capital assets, net	\$ 10,458,383	\$ 680,039	\$ 4,621	\$ 11,133,801

Construction in progress as of June 30, 2013 consists of costs associated with the remodeling of the new administration building.

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>Business-type Activities:</b>				
Furniture and equipment	\$ 186,324	\$ 72,811	\$ 11,280	\$ 247,855
Less: Accumulated Depreciation	69,279	18,903	1,880	86,302
Business-type activities capital assets, net	\$ 117,045	\$ 53,908	\$ 9,400	\$ 161,553

Depreciation expense was charged to the functions as follows:

<b>Governmental Activities:</b>	
Regular Instruction	\$ 378,630
Special Instruction	2,298
Other Instruction	65,245
Instructional Staff Services	25,833
Administration Services	12,417
Operation and Maintenance	50,797
Transportation Services	66,525
Total depreciation expenses – governmental activities	\$ 601,745
<b>Business-type activities:</b>	
Food Service Operations	\$ 18,903

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

**Reconciliation of Net Investment in Capital Assets:**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>
Land	\$ 337,624	\$ -
Construction in Progress	652,410	-
Capital Assets (net of accumulated depreciation)	10,143,767	161,553
Less: Bonds Payable	2,007,000	-
Lease Obligation	9,598	-
Net Investment in Capital Assets	<u>\$ 9,117,203</u>	<u>\$ 161,553</u>

**NOTE 5 – OTHER POST EMPLOYMENT BENEFITS**

*Plan Description.* The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Retired participants must be age 55 or older at retirement.

The health insurance is provided through a partially self-funded plan through Wellmark and administered by Three Rivers Benefit Corporation. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

*Funding Policy.* The District currently finances the retiree benefit plan on a pay-as-you-go basis.

*Annual OPEB Cost and NET OPEB Obligation.* The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 9,994
Interest on net OPEB obligation	450
Adjustment to annual required contribution	<u>(994)</u>
Annual OPEB cost (Expense)	9,450
Estimated contributions made	<u>(10,137)</u>
Decrease in net OPEB obligation	(687)
Net OPEB obligation – beginning of year	<u>22,491</u>
Net OPEB obligation – end of year	<u>\$ 21,804</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the estimated contributions for the year ended June 30, 2013.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 5 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are summarized as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2013	\$ 9,450	107.27%	\$ 21,804
2012	\$ 17,500	42.84%	\$ 22,491
2011	\$ 17,500	42.84%	\$ 14,994
2010	\$ 17,500	42.84%	\$ 7,497

*Funded Status and Funding Progress.* As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$114,520, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$114,520. The covered payroll (annual payroll of the active employees covered by the plan) was approximately \$6,700,000 and the ratio of the UAAL to covered payroll was 1.71%. As of June 30, 2013, there were no trust fund assets.

*Actuarial Methods and Assumptions.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for the retiree health plan, presented as required supplementary information in the section following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 2% interest discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 3%. The medical trend rate is reduced 1% each year until reaching the 3% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation. Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Termination rates used in the actuarial valuation are based upon national termination studies performed by the Society of Actuaries and were adjusted to reflect the recent lower termination rates experienced by the District. Assumptions do not include any growth or decline in payroll per annum. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis for 30 years.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 6 – LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Revenue Bonds	\$ 1,461,279	\$ 2,007,000	\$ 1,461,279	\$ 2,007,000	\$ 649,000
Lease Obligation	18,113	-	8,515	9,598	9,598
Early Retirement	-	159,218	-	159,218	159,218
Compensated Absences	24,565	3,280	8,025	19,820	-
Net OPEB Liability	22,491	-	687	21,804	-
 Governmental Activities Long-Term Liabilities	 \$ 1,526,448	 \$ 2,169,498	 \$ 1,478,506	 \$ 2,217,440	 \$ 817,816

**Revenue Bonds**

Details of the Districts June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of October 31, 2012			
	Interest Rates	Principal	Interest	Total
2014	3.0%	\$ 649,000	\$ 60,677	\$ 709,677
2015	3.0%	669,000	30,705	699,705
2016	3.0%	689,000	10,335	699,335
		<u>\$ 2,007,000</u>	<u>\$ 101,717</u>	<u>\$ 2,108,717</u>

The District has pledged future statewide sales, services, and use tax revenues to repay the \$2,007,000 of bonds issued in October, 2012. The bonds were issued for the purpose of refunding the 2006 revenue bonds in the amount of \$1,237,752. The remaining \$750,000 was issued for the purpose of financing the construction costs associated with the new administration building. The 2012 bonds have an interest rate of 3% and the 2006 bonds being refunded had an interest rate of 5%. As a result of this refunding, the District will reduce its debt service payments over the next three years by \$834, and obtain an economic gain of \$6,698. The bonds are payable solely from the proceeds of the statewide sales, services, and use tax revenues received by the District and are payable through 2016. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require the majority of the statewide sales, services, and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,108,717. For the current year, \$740,611 of principal and interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$1,167,384.

The resolution providing for the issuance of the statewide sales, services, and use tax revenue bonds includes the following provisions:

1. The proceeds from the issuance of the revenue bonds shall be deposited to the project account.
2. All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
3. Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
4. Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District was in compliance with all of the provisions during the year ended June 30, 2013.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)**

**Capital Leases**

The District has entered into lease agreements as lessee for financing the acquisition of various copy machines and band instruments. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<b>Governmental Activities</b>
Asset:	
Furniture and Equipment	\$ 42,335
Less: Accumulated Depreciation	16,581
	<hr/>
Total	\$ 25,754

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2013.

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 9,598	\$ 1,220	\$ 10,818
Minimum Lease Payments			10,818
Less: Amount Representing Interest			(1,220)
Present Value of Minimum Lease Payments			<hr/> \$ 9,598 <hr/>

**Early Retirement**

The District has offered a voluntary early retirement plan to its certified employees in the past. This plan was discontinued in fiscal 2012 but was reinstated for fiscal 2013 only. Teachers and administrators who have 10 years of continuous service with the District are eligible for Board approved early retirement compensation. Employees making application for early retirement receive as compensation an amount equal to the difference between the applicant's current salary schedule amount and that year's base pay if the application for early retirement is submitted during a period beginning with the fiscal year before the teacher attains age 55 through the fiscal year in which the teacher attains the age 65. After age 65, no early retirement compensation is available. Part-time teachers receive a percentage of the benefit. There were no early retirement benefits paid during the year ended June 30, 2013. The cost of early retirement payments liquidated within 60 days is recorded as a liability of the Special Revenue, Management Levy Fund, in the fund financial statements. The non-current portion of the early retirement is recorded in the government-wide financial statements.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 7 – PENSION AND RETIREMENT BENEFITS**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$727,377, \$648,723 and \$559,394, respectively equal to the required contributions for each year.

**NOTE 8 – RISK MANAGEMENT**

MOC-Floyd Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 9 – AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$554,844 for the year ended June 30, 2013 and is recorded in the General Fund.

**NOTE 10 – SPLIT FUNDING HEALTH INSURANCE PLAN**

The District's Split Funding Health Insurance Fund was established during fiscal year 2011 to account for the partial self-funding of the District's prescription drug benefit and health insurance plans. The plan is funded by District contributions and is administered through a service agreement with Three Rivers Benefit Corporation. The District assumed liability for co-pay amounts of \$5 to \$20 for prescription drugs and \$500 to \$1,000 for health insurance depending on the coverage selected by the employee.

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Services Fund.

	<b>2013</b>	<b>2012</b>
Claims Payable, beginning of year	\$ 7,555	\$ 4,804
Claims Paid	(68,501)	(88,687)
Claims Incurred	67,360	91,438
Claims Payable, end of year	<u>\$ 6,414</u>	<u>\$ 7,555</u>

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 11 – CATEGORICAL FUNDING**

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Four-year-old Preschool State Aid	\$ 41,943
Professional Development for Model Care Curriculum	33,907
Property Tax and State Aid Financed Weighted Limited English Proficient (LEP) and SBRC Modified Growth for LEP	58,556
Teacher Salary Supplement	<u>6,445</u>
	<u>\$ 140,851</u>

**NOTE 12 – PRIOR PERIOD ADJUSTMENT**

In previous years bond issuance costs were deferred and amortized over the term of the bonds. During the year ended June 30, 2013, the District implemented Governmental Accounting Standards Board Statement No. 65 requiring these costs to be recognized in the period the loan was originated. A prior period adjustment was reported on the financial statements to recognize the effect of the removal of the unamortized bond issuance costs. The prior period adjustment decreased the beginning balance of the net position of the governmental activities by \$2,938.



## REQUIRED SUPPLEMENTARY INFORMATION

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES,**  
**BUDGET AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Governmental</u>	<u>Proprietary</u>	<u>Total</u>	<u>Final to</u>
	<u>Original</u>	<u>Final</u>	<u>Funds</u>	<u>Fund</u>	<u>Actual</u>	<u>Actual</u>
			<u>Actual</u>	<u>Actual</u>		<u>Variance</u>
<b>REVENUE:</b>						
Local Sources:						
Local Tax	\$5,779,390	\$ 5,779,390	\$ 6,973,000	\$ -	\$6,973,000	\$ 1,193,610
Tuition	296,500	296,500	317,588	-	317,588	21,088
Other	2,156,915	2,156,915	659,908	467,197	1,127,105	(1,029,810)
Intermediate Sources		-			-	-
State Sources	7,184,600	7,184,600	7,181,925	6,106	7,188,031	3,431
Federal Sources	644,043	644,043	427,616	270,315	697,931	53,888
Total Revenue	16,061,448	16,061,448	15,560,037	743,618	16,303,655	242,207
<b>EXPENDITURES:</b>						
Current:						
Instruction	11,896,229	11,896,229	9,562,526	-	9,562,526	2,333,703
Support Services	4,634,366	4,634,366	3,771,060	-	3,771,060	863,306
Non-instructional Programs	1,021,024	1,021,024	54,381	753,185	807,566	213,458
Other Expenditures	1,875,669	3,375,000	2,153,049	-	2,153,049	1,221,951
Total Expenditures	19,427,288	20,926,619	15,541,016	753,185	16,294,201	4,632,418
Excess (Deficiency) of Revenues Over Expenditures	(3,365,840)	(4,865,171)	19,021	(9,567)	9,454	4,874,625
Other Financing Sources (Uses):						
Transfers In	751,429	751,429	2,184,921	-	2,184,921	1,433,492
Transfers Out	(751,429)	(751,429)	(2,184,921)	-	(2,184,921)	(1,433,492)
Issuance of Revenue Bonds	-	-	2,007,000	-	2,007,000	2,007,000
Bond Refunding Payments	-	-	(1,237,752)	-	(1,237,752)	(1,237,752)
Total Other Financing Sources (Uses)	-	-	769,248	-	769,248	769,248
Net Change in Fund Balances	(3,365,840)	(4,865,171)	788,269	(9,567)	778,702	5,643,873
Fund Balances - Beginning of Year	3,369,518	3,369,518	3,029,137	340,381	3,369,518	-
Fund Balances - End of Year	\$ 3,678	\$ (1,495,653)	\$ 3,817,406	\$ 330,814	\$ 4,148,220	\$ 5,643,873

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2013**

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The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the internal service fund and the agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2013, the District adopted one budget amendment, increasing budgeted expenditures by \$1,499,331.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
Schedule of Funding Progress for the  
Retiree Health Plan

Required Supplementary Information							
Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 190,458	\$ 190,458	0.00%	\$6,000,000	3.17%
2011	July 1, 2009	-	\$ 190,458	\$ 190,458	0.00%	\$6,000,000	3.17%
2012	July 1, 2009	-	\$ 190,458	\$ 190,458	0.00%	\$6,500,000	2.93%
2013	July 1, 2012	-	\$ 114,520	\$ 114,520	0.00%	\$6,700,000	1.71%

See Note 5 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## OTHER SUPPLEMENTARY INFORMATION

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Schedule 1

**REVENUES:**

Local Sources:

Local Tax:

Property Tax	\$ 4,612,307
Mobile Home Tax	2,907
Utility Tax Replacement Excise Tax	65,075
Surtax	658,783
	<u>5,339,072</u>

Other Local Sources:

Interest on Investments	68,943
Tuition from Individuals	42,925
Tuition from Other Districts	274,663
Rent	7,877
Sharing Agreements	61,011
Miscellaneous	70,635
	<u>526,054</u>
	<u>5,865,126</u>

State Sources:

State Foundation Aid	6,496,956
Beginning Teacher Mentoring Program	3,738
Non-Public Transportation Aid	95,599
Non-Public Textbook and Technology Aid	11,589
Vocational Education Aid	12,191
AEA Flow-Through	554,844
Revenue in lieu of taxes - military credit	2,742
Other State Aid	4,000
	<u>7,181,659</u>

Federal Sources:

Title I Grants to Local Educational Agencies	131,782
Improving Teacher Quality State Grants	44,837
Career and Technical Education - Basic Grants to States	13,082
Special Education Pass-Through - IDEA Grant	90,090
English Language Acquisition Grants	7,297
Title VI Grants for Assessments and Related Activities	8,619
Medicaid	131,909
	<u>427,616</u>
Total Revenue	<u>\$ 13,474,401</u>

Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

Schedule 1

**EXPENDITURES:**

**Instruction:**

Regular Instruction:

Salaries	\$ 4,589,262
Benefits	1,254,631
Services	590,897
Supplies	147,604
Property	21,542
	<u>6,603,936</u>

Special Education Instruction:

Salaries	1,158,049
Benefits	295,230
Services	247,688
Supplies	4,492
Property	5,213
	<u>1,710,672</u>

Vocational Instruction:

Salaries	320,912
Benefits	88,392
Services	1,485
Supplies	20,438
Property	2,941
	<u>434,168</u>

Co-curricular Instruction:

Salaries	270,798
Benefits	51,021
Services	8,775
	<u>330,594</u>

Nonpublic Instruction:

Supplies	11,589
	<u>11,589</u>

<b>Total Instruction</b>	<b>\$</b>	<u><b>9,090,959</b></u>
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Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

Schedule 1

**Support Services:**

**Student Services:**

Guidance Services:

Salaries	\$ 245,958
Benefits	62,384
Services	4,202
Supplies	379
	<u>312,923</u>

Health Services:

Salaries	31,129
Benefits	11,564
Services	3,887
Supplies	1,332
Other	45
	<u>47,957</u>

**Total Student Services**

360,880

**Support Services:**

**Instructional Staff Services:**

Improvement of Instruction Services:

Services	9,772
Supplies	1,922
Other	554
	<u>12,248</u>

Educational Media Services:

Salaries	179,384
Benefits	38,671
Services	4,500
Supplies	22,965
Property	2,327
Other	
	<u>247,847</u>

Other Instructional Staff Support Services:

Salaries	92,353
Benefits	27,637
Services	26,357
Supplies	55,419
Property	50,632
	<u>252,398</u>

**Total Instructional Staff Services**

\$ 512,493

Continued



**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GENERAL FUND - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Schedule 1

**Support Services (Continued):**

**Administration Services:**

Executive Administration:

Salaries	\$ 165,628
Benefits	48,051
Services	11,507
Supplies	2,799
	<u>227,985</u>

School Administration:

Salaries	536,203
Benefits	177,604
Services	9,154
Supplies	950
	<u>723,911</u>

Business Administration:

Salaries	72,230
Benefits	18,075
Services	12,146
Supplies	193
Other	625
	<u>103,269</u>

Board of Education:

Services	48,734
Supplies	8,332
Other	8,311
	<u>65,377</u>

<b>Total Administration Services:</b>	<u>1,120,542</u>
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**Support Services:**

**Plant Operation and Maintenance:**

Salaries	362,801
Benefits	88,194
Services	188,419
Supplies	338,503
Property	17,784
	<u>\$ 995,701</u>

Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

Schedule 1

<b>Support Services (Continued):</b>	
<b>Student Transportation:</b>	
Salaries	\$ 212,001
Benefits	41,393
Services	129,046
Supplies	115,084
Property	49,054
Other	1,532
	<u>548,110</u>
<b>Total Support Services</b>	<u>3,537,726</u>
<b>Non-instructional Programs:</b>	
<b>Community Services:</b>	
Salaries	30,993
Benefits	11,355
	<u>42,348</u>
<b>Other Expenditures:</b>	
AEA Flow-Through	<u>554,844</u>
<b>Total Expenditures</b>	<u>13,225,877</u>
<b>Excess of Revenues Over Expenditures</b>	<u>248,524</u>
<b>Other Financing Sources (Uses):</b>	
Transfers To Other Funds	<u>(10,818)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(10,818)</u>
<b>Net Change in Fund Balance</b>	237,706
<b>Fund Balance - Beginning of Year</b>	<u>2,416,501</u>
<b>Fund Balance - End of Year</b>	<u><u>\$ 2,654,207</u></u>

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**GOVERNMENTAL NONMAJOR FUNDS**  
**JUNE 30, 2013**

	<u>Special Revenue Funds</u>		
	<b>Management Levy</b>	<b>Student Activity</b>	<b>Debt Service</b>
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 288,145	\$ 141,524	\$ -
Receivables:			
Property Tax	2,798	-	-
Succeeding Year Property Tax	250,000	-	-
Accounts	-	7,188	-
Due from Other Governments	-	-	-
Prepaid Expense	-	-	-
Restricted Assets:			
Cash and Pooled Investments	-	-	689,307
Total Assets	540,943	148,712	689,307
<b>LIABILITIES</b>			
Liabilities:			
Accounts Payable	26	13,107	-
Early Retirement Payable	85,266	-	-
Total Liabilities	85,292	13,107	-
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue -			
Subsequent Year Property Taxes	250,000	-	-
Total Deferred Inflows of Resources	250,000	-	-
<b>Fund Balances:</b>			
Restricted For:			
Debt Service	-	-	689,307
Management Levy	205,651	-	-
Physical Plant and Equipment Levy	-	-	-
School Infrastructure	-	-	-
Other Special Revenue Purposes	-	135,605	-
Total Fund Balances	205,651	135,605	689,307
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 540,943	\$ 148,712	\$ 689,307

**Schedule 2**

<b>Capital Projects</b>			
<b>Physical Plant and Equipment Levy</b>	<b>Statewide Sales, Services, and Use Tax</b>	<b>Total</b>	
\$ 91,015	\$ 17,016	\$	537,700
1,355	-		4,153
169,145	-		419,145
5,000	-		12,188
-	184,469		184,469
3,700	-		3,700
-	-		689,307
270,215	201,485		1,850,662
30,447	139,472		183,052
-	-		85,266
30,447	139,472		268,318
169,145	-		419,145
169,145	-		419,145
-	-		689,307
-	-		205,651
70,623	-		70,623
-	62,013		62,013
-	-		135,605
70,623	62,013		1,163,199
\$ 270,215	\$ 201,485	\$	1,850,662

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL NONMAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Special Revenue Funds</u>		
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>
<b>REVENUE:</b>			
Local Sources:			
Local Tax	\$ 305,165	\$ -	\$ -
Other	10,587	392,020	5,156
State Sources	179	-	-
Total Revenue	<u>315,931</u>	<u>392,020</u>	<u>5,156</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular Instruction	71,308	-	-
Other Instruction	-	400,259	-
Support Services:			
Student Services	24,005	-	-
Instructional Staff Services	28,037	-	-
Administration Services	22,771	-	-
Operation and Maintenance	59,497	742	-
Transportation Services	26,607	-	-
Non-instructional Programs	12,033	-	-
Other Expenditures:			
Facilities Acquisition and Construction	-	-	-
Long-term Debt:			
Principal	-	-	232,040
Interest and Fiscal Charges	-	-	30,978
Total Expenditures	<u>244,258</u>	<u>401,001</u>	<u>263,018</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>71,673</u>	<u>(8,981)</u>	<u>(257,862)</u>
Other Financing Sources (Uses):			
Transfers In	-	-	2,184,921
Transfers Out	-	-	-
Issuance of Revenue Bonds	-	-	-
Bond Refunding Payments	-	-	(1,237,752)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>947,169</u>
Net Change in Fund Balance	71,673	(8,981)	689,307
Fund Balances - Beginning of Year	<u>133,978</u>	<u>144,586</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 205,651</u>	<u>\$ 135,605</u>	<u>\$ 689,307</u>

Schedule 3

Capital Projects			
Physical Plant and Equipment Levy		Statewide Sales, Services, and Use Tax	Total
\$	161,379	\$ 1,167,384	\$ 1,633,928
	18,355	25,324	451,442
	87	-	266
	179,821	1,192,708	2,085,636
	-	-	71,308
	-	-	400,259
	-	-	24,005
	5,961	-	33,998
	1,202	48,786	72,759
	-	-	60,239
	15,726	-	42,333
	-	-	12,033
	89,980	1,245,207	1,335,187
	-	-	232,040
	-	-	30,978
	112,869	1,293,993	2,315,139
	66,952	(101,285)	(229,503)
	-	-	2,184,921
	-	(2,174,103)	(2,174,103)
	-	2,007,000	2,007,000
	-	-	(1,237,752)
	-	(167,103)	780,066
	66,952	(268,388)	550,563
	3,671	330,401	612,636
\$	70,623	\$ 62,013	\$ 1,163,199

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

					Schedule 4
	Balance June 30, 2012	Revenues	Expenditures	Operating Transfers	Balance June 30, 2013
Plays/Musical	\$ 3,070	\$ 4,998	\$ 2,107	\$ (3,002)	\$ 2,959
Iowa High School Speech	64	45	6,607	6,500	2
Speech Club	1,805	4,484	4,084	-	2,205
Vocal Robe Rent	9,503	-	147	-	9,356
Iowa High School Music	-	181	8,344	8,163	-
Band Instrument Rent	3,290	6,676	11,194	2,829	1,601
Band Uniform Rent	680	8,460	8,156	-	984
Jazz Band	34	1,890	1,201	-	723
Middle School Band	29	2,496	1,876	-	649
Music Gate Receipts	105	6,183	5,757	-	531
Peb Club/Cheerleaders	2,697	4,846	5,636	-	1,907
Dance Team	1,970	2,289	1,772	-	2,487
Athletics	17,461	141,583	146,887	-	12,157
Boys Basketball	4	3,020	3,024	-	-
Dutch Football	3,416	2,921	3,933	-	2,404
Joint Baseball/Softball	521	7,500	4,463	-	3,558
Joint Baseball/Softball Concessions	6,392	7,217	7,294	-	6,315
Wrestling Concessions	518	7,381	6,811	-	1,088
Youth Wrestling	999	170	-	-	1,169
Dutch Volleyball	5,877	5,512	4,390	-	6,999
Annual	7,441	13,066	15,716	-	4,791
Industrial Tech./Skills USA	413	42	-	-	455
Student Council	4,849	4,970	3,282	-	6,537
FFA Club	1,319	32,034	31,041	-	2,312
Class of 2019	-	400	-	-	400
Class of 2018	400	300	-	-	700
Class of 2017	700	300	-	-	1,000
Class of 2016	1,000	-	-	-	1,000
Class of 2015	1,000	-	-	-	1,000
Class of 2014	1,500	12,692	11,744	-	2,448
Class of 2013	1,538	6	1,273	-	271
Class of 2012	1,003	-	-	(1,003)	-
Middle/High School Shop	385	567	659	-	293
Awards	6,486	953	-	(4,000)	3,439
Miscellaneous	5,886	11,193	8,717	(3,692)	4,670
Concessions	11,664	16,664	13,682	(5,509)	9,137
National Honor Society	119	13,987	13,217	-	889
Middle School Student Council	650	2,733	2,811	-	572
Middle School Magazines	14,688	39,269	41,734	-	12,223
Middle School Book Club	81	-	-	-	81
Middle School Pictures	2,644	1,363	1,837	-	2,170
Reading Counts	9,771	2,086	2,337	-	9,520

(Continued)

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

					Schedule 4
	Balance June 30, 2012	Revenues	Expenditures	Operating Transfers	Balance June 30, 2013
Orange City Outdoor Education	3,639	16,147	14,308	-	5,478
Orange City Elementary Pictures	7,541	3,791	3,369	-	7,963
Orange City Elementary Book Club	206	751	753	-	204
Orange City Elementary Care Fund	415	-	-	-	415
Hospers Elementary Pictures	813	854	838	(286)	543
Totals	\$ 144,586	\$ 392,020	\$ 401,001	\$ -	\$ 135,605



**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

				Schedule 5
	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<b><u>FLEX</u></b>				
<u>Assets</u>				
Cash and Pooled Investments	\$ 17,295	\$ 102,558	\$ 107,893	\$ 11,960
Total Assets	17,295	102,558	107,893	11,960
<u>Liabilities</u>				
Other Payables	17,295	102,558	107,893	11,960
Total Liabilities	17,295	102,558	107,893	11,960
 <b><u>Band Parents</u></b>				
<u>Assets</u>				
Cash and Pooled Investments	103,823	483,331	570,813	16,341
Total Assets	103,823	483,331	570,813	16,341
<u>Liabilities</u>				
Other Payables	103,823	483,331	570,813	16,341
Total Liabilities	103,823	483,331	570,813	16,341
 <b><u>Totals</u></b>				
<u>Assets</u>				
Cash and Pooled Investments	121,118	585,889	678,706	28,301
Total Assets	121,118	585,889	678,706	28,301
<u>Liabilities</u>				
Other Payables	121,118	585,889	678,706	28,301
Total Liabilities	\$ 121,118	\$ 585,889	\$ 678,706	\$ 28,301

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE NINE YEARS ENDED JUNE 30, 2013**

	<b>Modified Accrual Basis of Accounting</b>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Revenues:</b>				
Local Sources:				
Local Tax	\$ 6,973,000	\$ 6,680,313	\$ 6,813,563	\$ 6,177,551
Tuition	317,588	306,496	251,986	213,050
Other	659,908	694,908	596,633	517,985
State Sources	7,181,925	7,484,581	6,763,471	6,006,701
Federal Sources	427,616	709,076	679,637	1,285,219
<b>Total</b>	<b>15,560,037</b>	<b>15,875,374</b>	<b>15,105,290</b>	<b>14,200,506</b>
<b>Expenditures:</b>				
Instruction:				
Regular	6,675,244	6,592,324	6,432,633	6,296,032
Special	1,710,672	1,660,435	1,755,192	1,774,807
Other	1,176,610	1,128,732	1,064,930	1,070,482
Support Services:				
Student	384,885	504,050	403,605	391,921
Instructional Staff	546,491	430,803	514,136	468,121
Administration	1,193,301	1,132,640	1,078,132	1,049,388
Operation and maintenance of plant	1,055,940	1,102,444	1,019,203	947,276
Transportation	590,443	663,479	490,124	545,967
Non-instructional programs	54,381	34,755	794	17,917
Other Expenditures:				
Facilities Acquisition	1,335,187	304,694	162,335	240,797
Long-term debt:				
Principal	232,040	668,385	839,184	805,096
Interest and other charges	30,978	95,544	133,508	167,597
AEA Flowthrough	554,844	557,266	603,338	588,853
<b>Total</b>	<b>\$ 15,541,016</b>	<b>\$ 14,875,551</b>	<b>\$ 14,497,114</b>	<b>\$ 14,364,254</b>

Schedule 6

Modified Accrual Basis of Accounting				
2009	2008	2007	2006	2005
\$ 5,920,879	\$ 5,742,777	\$ 5,717,087	\$ 5,422,730	\$ 5,617,211
206,596	227,197	245,447	238,086	203,510
516,071	595,337	653,974	796,282	558,505
6,855,748	6,350,048	5,662,514	5,230,501	5,180,289
638,707	585,683	356,122	408,004	389,042
14,138,001	13,501,042	12,635,144	12,095,603	11,948,557
6,248,844	5,848,218	5,245,267	4,745,983	4,548,117
1,620,557	1,403,884	1,274,833	1,050,820	1,109,891
1,087,334	1,100,724	1,146,584	1,178,431	1,102,055
387,817	365,581	367,276	327,830	298,770
471,129	437,981	474,641	491,826	445,567
1,023,237	997,004	988,093	966,342	894,523
971,881	926,787	961,151	851,118	696,566
547,162	497,695	476,459	488,615	435,149
15,187	11,799	12,784	12,896	13,321
355,452	194,210	612,353	3,568,453	3,016,635
768,865	721,864	625,209	600,000	570,000
202,359	236,861	256,253	279,828	74,396
522,985	494,092	460,286	436,066	432,179
\$ 14,222,809	\$ 13,236,700	\$ 12,901,189	\$ 14,998,208	\$ 13,637,169

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Schedule 7			
Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY13	\$ 36,486
National School Lunch Program	10.555	FY13	233,829 **
			<u>270,315 *</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY13	131,782 *
Improving Teacher Quality State Grants	84.367	FY13	44,837
Grants for State Assessments & Related Activities	84.369	FY13	8,619
Northwest Area Education Agency:			
Special Education - Grants to States	84.027	FY13	90,090
Career and Technical Education - Basic Grants to States	84.048	FY13	13,082
English Language Acquisition Grants	84.365	FY13	<u>7,297</u>
Total			<u>\$ 566,022</u>

\* Total expenditures from these programs exceed 50% of the total Federal Awards and are considered major programs.

\*\* Includes \$36,272 of non-cash awards.

**BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the MOC-Floyd Valley Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**SCHEDULE 8**

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**Part I: Summary of the Independent Auditor's Results**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) MOC-Floyd Valley Community School District did not qualify as a low-risk auditee.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 8

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**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

There were no prior year audit findings.

**MATERIAL WEAKNESS:**

**II-A-13 Financial Reporting**

Comment – During the audit, we identified material amounts of capital asset additions and deletions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include those amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all capital asset additions and deletions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any capital asset transactions or other adjustments.

Conclusion – Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

No matters were reported.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**SCHEDULE 8**

**Part IV: Other Findings Related to Statutory Reporting**

IV-A-13      Certified Budget – Expenditures for the year ended June 30, 2013 did not exceed amounts budgeted.

IV-B-13      Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-13      Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-13      Business Transactions – Business transactions between the District and District Officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gerald Van Roekel, Board Member Part-owner of Van Engelenhoven Agency	Insurance	\$152,965

This transaction may represent a conflict of interest and the District should contact legal council for determination.

IV-E-13      Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-13      Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-13      Certified Enrollment – A variance of +.13 was identified in the basic enrollment data certified to the Iowa Department of Education in October, 2012.

The District did not meet the October 15<sup>th</sup> deadline for certifying their October, 2012 certified enrollment numbers.

Recommendation – Certified enrollment should be certified by the October 15th deadline.

Response – The October, 2012 certified enrollment was certified on the 16<sup>th</sup> of October. The District will ensure that all future certifications are done on a timely basis.

Conclusion - Response accepted.

IV-H-13      Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-13      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**SCHEDULE 8**

**Part IV: Other Findings Related to Statutory Reporting (Continued)**

- IV-J-13      Certified Annual Report – The Certified Annual Report was certified timely to the Department of Education.
- IV-K-13      Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-13      Statewide Sales, Services, and Use Tax – No instances of non-compliance with the use of the statewide sales, services, and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance		\$ 330,401
Statewide Sales and Services Tax Revenue	\$1,167,384	
Other Local Revenues	25,324	
Sale of Long-Term Debt	2,007,000	3,199,708
		<u>3,530,109</u>
Expenditures/transfers out:		
Equipment	-	
Buildings purchased	387,478	
School infrastructure construction	850,729	
Other	55,786	
Transfers to other funds:		
Debt Service	2,174,103	3,468,096
Ending Balance		<u>\$ 62,013</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- IV-M-13      Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. We found no accounts that didn't appear to be extracurricular or co-curricular in nature.



MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013

Schedule 8

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**Part V: Findings – Year Ended June 30, 2012:**

**INSTANCES OF NON-COMPLIANCE:**

**CFDA # 10.553: School Breakfast Program  
CFDA # 10.555: National School Lunch Program  
Federal Award Year: 2012  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education**

**III-A-12**     Observation - During our testing of eligibility for free/reduced lunches we noted one instance of noncompliance where a student was initially awarded free lunch status but should have been placed on reduced status.

Recommendation – The District should insure that all applications for the Free/Reduced Lunch Program are properly completed. All employees involved in computing eligibility should be properly trained. To insure proper completion the District should continue to review the completed applications on a timely basis before students are awarded free or reduced status.

Response – We have reviewed with the District employees, the proper completion of the free/reduced lunch applications. We are ensuring that the income calculations are made correctly by adding an extra step in our verification process. All applications are entered in the state's online calculation program and printed out and attached to each application to ensure proper calculations.

Conclusion – This finding has been resolved as of June 30, 2013.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the  
MOC-Floyd Valley Community School District

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the MOC-Floyd Valley Community School District's basic financial statements, and have issued our report thereon dated November 4, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the MOC-Floyd Valley Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MOC-Floyd Valley Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the MOC-Floyd Valley Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

*A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item II-A-13 to be a material weakness.*

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the MOC-Floyd Valley Community School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of

noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **MOC-Floyd Valley Community School District's Response to Findings**

The MOC-Floyd Valley Community School District's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. MOC-Floyd Valley Community School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of MOC-Floyd Valley Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
November 4, 2013



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Education of the  
MOC-Floyd Valley Community School District:

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. MOC-Floyd Valley Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the MOC-Floyd Valley Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the MOC-Floyd Valley Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

The management of the MOC-Floyd Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MOC-Floyd Valley Community

School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the MOC-Floyd Valley Community School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Williams + Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
November 4, 2013